



DEPARTMENT OF AGRICULTURE

Rural Housing Service

7 CFR Part 3560

[Docket No. RHS-23-MFH-0019]

RIN 0575-AD29

Changes Related to Insurance Requirements in Multi-Family Housing (MFH)

Direct Loan and Grant Programs

AGENCY: Rural Housing Service, Department of Agriculture (USDA).

ACTION: Proposed rule.

SUMMARY: The Rural Housing Service (RHS or the Agency), a Rural Development (RD) agency of the United States Department of Agriculture (USDA), proposes to amend its regulation to implement changes related to insurance requirements under the Multi-Family Housing (MFH) Direct Loan and Grant programs. The intent of this proposed rule is to align RD insurance coverage types, amounts, and deductibles with affordable housing industry standards to simplify the coverage amounts, deductible limits, and improve the customer experience with updated and understandable insurance requirements.

DATES: Comments on the proposed rule must be received on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: Comments may be submitted electronically by the Federal eRulemaking Portal: Go to <https://www.regulations.gov> and, in the “Search Field” box, labeled “Search for dockets and documents on agency action,” enter the following docket number: **(RHS-23-MFH-0019)** or RIN# **0575-AD29**. To submit or view public comments, click the “Search” button, then select the following document title: **(Changes Related to Insurance Requirements in Multi-Family Housing (MFH) Direct Loan and Grant Programs)** from the “Search Results,” and select the “Comment” button. Before inputting your comments, you may also review the “Commenter’s Checklist” (optional). Insert your comments under the “Comment” title, click “Browse” to attach files (if available). Input your email address and select “Submit Comment.” Information on using Regulations.gov, including instructions for accessing documents, submitting comments, and viewing the docket after the close of the comment period, is available through the site’s “FAQ” link.

Other Information: Additional information about RD and its programs is available on the internet at <https://www.rurdev.usda.gov/index.html>.

All comments will be available for public inspection online at the Federal eRulemaking Portal (<https://www.regulations.gov>).

FOR FURTHER INFORMATION CONTACT:

Michael Resnik, Director, Multi-Family Housing Asset Management Division, Rural Housing Service, United States Department of Agriculture, 1400 Independence Avenue SW, Washington, DC 20250-0782, Telephone: (202) 430-3114 (this is not a toll-free number), or email: Michael.Resnik@usda.gov.

SUPPLEMENTARY INFORMATION:

I. Background

The Rural Housing Service (RHS) offers a variety of programs to build or improve housing and essential community facilities in rural areas. RHS offers loans, grants, and loan guarantees for single and multifamily housing, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, first responder vehicles and equipment, and housing for farm laborers. RHS also provides technical assistance loans and grants in partnership with non-profit organizations, Indian tribes, state and Federal government agencies, and local communities.

The Title V of the Housing Act of 1949 (Act) authorized USDA to make housing loans to farmers to enable them to provide habitable dwellings for themselves or their tenants, lessees, sharecroppers, and laborers. USDA then expanded opportunities in rural areas, making housing loans and grants to rural residents through the Single-Family Housing (SFH) and Multi-Family Housing (MFH) Programs.

RHS operates the MFH direct loan and grant programs by providing direct loans or grants to affordable multi-family rental housing for low income, elderly, disabled individuals and families, or domestic farm workers in eligible rural areas. The programs are covered by the 7 CFR part 3560, Direct Multi-Family Housing Loans and Grants and are: (1) Section 515, Rural Rental Housing loans, which finances multi-family units in rural areas; (2) Section 514 and 516 Farm Labor Housing loans and grants, which finances farm labor housing; or (3) Section 521, Rental Assistance, which finances project-based tenant rent subsidy.

As required by the Agency under the 7 CFR part 3560, borrowers are required to purchase and maintain property insurance on all buildings included as security for an Agency loan, to avoid a non-monetary loan default. Regulations require borrowers to provide fidelity coverage, liability insurance and various other insurance coverage to protect against losses or damages.

II. Purpose of this Regulatory Action

Currently, 7 CFR part 3560 consists of outdated insurance requirements. The coverage amounts and deductible limits were established in the interim rule (69 FR 69031–69176) that was published November 26, 2004. The changes proposed by this regulatory action will update insurance coverage and deductible requirements to current dollar values. The agency intends to align RD insurance coverages and deductible limits with affordable housing industry standards. The intent of this proposed rule is to improve the customer experience with updated and understandable insurance requirements.

The insurance premiums, including those for hazard/property insurance required by the Agency, are increasing due to changes in the insurance industry, such as the increasing of insurance rates in part due to increase catastrophic events. Our stakeholders will benefit from these proposed changes through lower insurance premiums and more flexibility in choices of coverage and deductibles. The current low deductible limits result in higher premiums. This proposed rule will allow higher deductible limits and will provide flexibility to the owner to select a deductible that can lower the premium costs.

When a disaster has occurred and the coverage was less than the industry standard of 80% of replacement cost value, the Agency has seen the loss of needed multifamily housing properties. Due to insufficient coverage amounts, the property was not able to be rebuilt and the communities in need of affordable housing have lost housing units. This proposed rule intends to assist stakeholders by providing the financial capacity to build-back needed affordable housing units. Our rural communities will benefit and be able to maintain affordable housing units.

This proposed rule is expected to result in a stronger, more resilient portfolio of properties, improved oversight of critical areas and will reduce portfolio financial risk with more consistent coverage amounts and deductible limits. This proposed rule will

create a more streamlined and positive customer experience with RHS MFH programs.

III. Summary of Changes

RHS proposes to amend 7 CFR 3560.4, 3560.62, and 3560.105 to implement changes related to insurance requirements for the MFH Direct Housing Loans and Grants program.

The proposed changes are highlighted as follows:

7 CFR 3560, Subpart A

(1) In § 3560.4(b), the Agency is removing the reference to 7 CFR part 1806, subpart B - National Flood Insurance. The flood insurance requirement for the covered programs is required in § 3560.105.

7 CFR 3560, Subpart B

(2) In § 3560.62(d), the Agency is updating the current format to be more reader friendly and adding changes that would require Worker's Compensation insurance and business income insurance. The Worker's Compensation insurance requirement would implement current Agency policy. The business income insurance requirement would provide protection and financial relief to borrowers who suffer income loss due to damage or destruction at their rental property.

7 CFR 3560, Subpart C

(3) The Agency proposes to update the insurance coverages and deductible requirements for the MFH Direct Loan and Farm Labor Housing programs to current dollars. The Agency's research for the proposed updates include a review of data from other federal housing agencies such as Housing and Urban Development (HUD) and Freddie Mac, coupled with state agencies and private sector affordable housing data. This data is used by the Agency as an indicator of industry standards for the insurance requirements.

Adding Worker's Compensation insurance and Business Income insurance requirements, would be consistent with housing industry standards. This change would also be consistent with the proposed change for 7 CFR 3560.62(d).

In § 3560.105, the Agency is making the following changes:

(i) Update language in paragraph (b)(1) to state that insurance is required, on or prior to loan or grant closing rather than prior to loan approval. Also, update language to clarify when insurance is required if there is interim financing or the Agency is providing multiple loan advances.

(ii) Update paragraph (b)(4) to state that the Agency must be named as loss co-payee or mortgagee, regardless of lien position, which provides consistency with Agency subordination agreement documents.

(iii) Update paragraph (c)(4) to state that insurance is required on or prior to loan or grant closing rather than prior to loan approval. This is consistent with the proposed change to § 3560.105(b)(1).

(iv) Include windstorm coverage in the general types of coverage as noted in hazard insurance in paragraph (f)(1)(i). And add a caveat to (f)(2)(i) that Windstorm Coverage is an other type of insurance the Agency may require when it is specifically excluded from the All-Risk policy. This is consistent with current hazard (or property) insurance industry standard..

(v) Update paragraph (f)(1)(iii) to include the amount of coverage requirement to provide consistency with current Agency policy.

(vi) Add paragraph (f)(1)(v) to include business income loss insurance in the list of minimum property insurance that borrowers must acquire. This change is consistent with the proposed change for 7 CFR Part 3560.62(d).

(vii) Update paragraph (f)(3) from a depreciated replacement value or unpaid loan balance, to a "not less than a percentage of insurable replacement cost value," which is a

percentage that is consistent with affordable housing industry standards for the minimum property insurance coverage.

(viii) Remove paragraph (f)(3)(ii) because its intent is duplicative of paragraph (f)(3)(i). And paragraph (f)(3)(iii) will be redesignated to the new paragraph (f)(3)(ii) and revise the minimum flood insurance coverage to the lesser of, not less than a percentage of insurable replacement cost value, or maximum amount of insurance available under the National Flood Insurance Act, which is consistent with affordable housing industry standards.

(ix) Update the language in paragraph (f)(4) to consolidate the relevant content of this paragraph and remove the sub-bullet content that references depreciated replacement value which is no longer relevant.

(x) Update the language in paragraph (f)(7) by adding an additional option for insurance settlement claims to be placed in an other supervised account.

(xi) Update the language in paragraph (f)(9)(i)(A) and (B) and adding a paragraph (f)(9)(i)(C) to the hazard/property insurance deductible limits to a “not to exceed” amount that is based on the coverage amount, instead of the current deductible calculation formula. The current Agency limitations on the deductible limit contributes to rising premium costs for the project. This change will allow for larger deductible limits which in turn, will make the project’s insurance premiums more affordable.

(xii) Update the language in paragraph (f)(9)(iii) regarding the deductible amount of windstorm coverage to have the same deductible limits as hazard/property insurance, which will create consistency among deductibles and in turn, makes it easier for the borrower to be in compliance with insurance requirements.

(xiii) Update the language in paragraph (f)(9)(iv) regarding the earthquake deductible limit to allow deductibles that do not exceed 20 percent of the coverage

amount. This will increase the deductible limit and align the deductible with affordable housing industry standards.

(xiv) Add new paragraph (f)(11) to include policy requirements for cancellation, standard form of Non-Contribution Mortgage Clause, and loss payee.

(xv) Revise language in paragraph (h)(2)(ii) by removing the fidelity coverage deductible chart and replacing it with a new deductible limit based on a “not to exceed amount.” Also, revising the fidelity coverage amount to a specific percentage of proposed annual rental income with a minimum limit, instead of the Agency’s current policy of a formula based calculation. This change will simplify the coverage calculation, align the coverage amount and deductible limit with affordable housing industry standard, create consistency among insurance deductibles, and in turn make it easier for the borrower to be in compliance with insurance requirements.

(xvi) Update to the definition of worker’s compensation insurance based on industry standards will be added and becomes paragraph (i). The current paragraph (i) (Taxes) will become paragraph (j).

IV. Regulatory Information

Statutory Authority:

Title V the Housing Act of 1949 (42 U.S.C. 1480 et. seq.), as amended, authorizes the Secretary of the Department of Agriculture to promulgate rules and regulations as deemed necessary to carry out the purpose of that title, as implemented under 7 CFR part 3560.

Executive Order 12372, Intergovernmental Review of Federal Programs

These loans and grants are subject to the provisions of Executive Order 12372, which requires intergovernmental consultation with state and local officials. RHS

conducts intergovernmental consultations for each loan and grants in accordance with 2 CFR part 415, subpart C.

Executive Order 12866, Regulatory Planning and Review

This proposed rule has been determined to be non-significant and, therefore, was not reviewed by the Office of Management and Budget (OMB) under Executive Order 12866.

Executive Order 12988, Civil Justice Reform

This proposed rule has been reviewed under Executive Order 12988. In accordance with this proposed rule: (1) Unless otherwise specifically provided, all state and local laws that conflict with this rulemaking will be preempted; (2) no retroactive effect will be given to this rulemaking except as specifically prescribed in the rulemaking; and (3) administrative proceedings of the National Appeals Division of the Department of Agriculture (7 CFR part 11) must be exhausted before suing in court that challenges action taken under this rulemaking.

Executive Order 13132, Federalism

The policies contained in this proposed rule do not have any substantial direct effect on States, on the relationship between the National Government and the States, or on the distribution of power and responsibilities among the various levels of Government. This proposed rule does not impose substantial direct compliance costs on State and local Governments; therefore, consultation with States is not required.

Executive Order 13175, Consultation and Coordination with Indian Tribal Governments

This Executive order imposes requirements on RHS in the development of regulatory policies that have tribal implications or preempt tribal laws. RHS has determined that the proposed rule does not have a substantial direct effect on one or more Indian tribe(s) or on either the relationship or the distribution of powers and

responsibilities between the Federal Government and Indian tribes. Thus, this proposed rule is not subject to the requirements of Executive Order 13175. If tribal leaders are interested in consulting with RHS on this rulemaking, they are encouraged to contact USDA's Office of Tribal Relations or RD's Tribal Coordinator at: AIAN@usda.gov to request such a consultation.

National Environmental Policy Act

This document has been reviewed in accordance with 7 CFR part 1970, subpart A, "Environmental Policies." RHS determined that this action does not constitute a major Federal action significantly affecting the quality of the environment. In accordance with the National Environmental Policy Act of 1969, Public Law 91-190, an Environmental Impact Statement is not required.

Regulatory Flexibility Act

This proposed rule has been reviewed with regards to the requirements of the Regulatory Flexibility Act (5 U.S.C. 601-612). The undersigned has determined and certified by signature on this document that this proposed rule will not have a significant economic impact on a substantial number of small entities since this rulemaking action does not involve a new or expanded program nor does it require any more action on the part of a small business than required of a large entity.

Unfunded Mandates Reform Act (UMRA)

Title II of the UMRA, Public Law 104-4, establishes requirements for Federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments and on the private sector. Under section 202 of the UMRA, Federal agencies generally must prepare a written statement, including cost-benefit analysis, for proposed and final rules with "Federal mandates" that may result in expenditures to state, local, or tribal governments, in the aggregate, or to the private sector, of \$100 million or more in any one year. When such a statement is needed for a rule, section 205 of the

UMRA generally requires a Federal Agency to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, most cost-effective, or least burdensome alternative that achieves the objectives of the rule.

This proposed rule contains no Federal mandates (under the regulatory provisions of title II of the UMRA) for State, local, and tribal Governments or for the private sector. Therefore, this rulemaking is not subject to the requirements of sections 202 and 205 of the UMRA.

Paperwork Reduction Act

The information collection requirements contained in this regulation have been approved by OMB and have been assigned OMB control number 0575-0189. This proposed rule contains no new reporting and recordkeeping requirements that would require approval under the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35).

E-Government Act Compliance

RHS is committed to complying with the E-Government Act by promoting the use of the internet and other information technologies to provide increased opportunities for citizen access to government information, services, and other purposes.

Civil Rights Impact Analysis

Rural Development has reviewed this proposed rule in accordance with USDA Regulation 4300-4, Civil Rights Impact Analysis, to identify any major civil rights impacts the proposed rule might have on program participants on the basis of age, race, color, national origin, sex, or disability. After review and analysis of the proposed rule and available data, it has been determined that implementation of the rulemaking will not adversely or disproportionately impact very low, low- and moderate-income populations, minority populations, women, Indian tribes, or persons with disability by virtue of their race, color, national origin, sex, age, disability, or marital or familial status. No major civil rights impact is likely to result from this proposed rule.

Assistance Listing

The programs affected by this regulation is listed in the Assistance Listing Catalog (formerly Catalog of Federal Domestic Assistance) under numbers 10.405 and, 10.415.

Non-Discrimination Statement

In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Mission Areas, agencies, staff offices, employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, American Sign Language) should contact the responsible Mission Area, agency, or staff office; or the Federal Relay Service at 711.

To file a program discrimination complaint, a complainant should complete a Form AD-3027, *USDA Program Discrimination Complaint Form*, which can be obtained online at, www.usda.gov/sites/default/files/documents/ad-3027.pdf from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights

violation. The completed AD-3027 form or letter must be submitted to USDA by: from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

- (1) Mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW.,
Washington, D.C. 20250-9410; or
- (2) Fax: (833) 256-1665 or (202) 690-7442; or
- (3) Email: Program.Intake@usda.gov

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List of Subjects in 7 CFR Part 3560

Accounting, Administrative practice and procedure, Aged, Conflict of interest, Government property management, Grant programs-housing and community development, Insurance, Loan programs-agriculture, Loan programs-housing and community development, Low- and moderate- income housing, Migrant labor, Mortgages, Nonprofit organizations, Public housing, Rent subsidies, Reporting and recordkeeping requirements, Rural areas.

For the reasons set forth in the preamble, RHS proposes to amend 7 CFR part 3560 as follows:

PART 3560 – DIRECT MULT-FAMILY HOUSING LOANS AND GRANTS

1. The authority citation for part 3560 continues read as follows:

Authority: 42 U.S.C. 1480.

2. Amend §3560.4 by revising paragraph (b) to read as follows:

§ 3560.4 Compliance with other Federal requirements.

* * * * *

(b) *National flood insurance.* The National Flood Insurance Act of 1968, as amended by the Flood Disaster Protection Act of 1973; and the National Flood Insurance Reform Act of 1994.

* * * * *

3. Amend § 3560.62 by revising paragraph (d) to read as follows:

§ 3560.62 Technical, legal, insurance, and other services.

* * * * *

(d) *Insurance.* Applicants must meet the property, liability, flood, Worker's Compensation, business income loss, and fidelity insurance requirements in § 3560.105.

(1) Applicants must have property and liability coverage at loan closing as well as flood insurance, if needed.

(2) Fidelity coverage must be in force as soon as there are assets within the organization, and it must be obtained before any loan funds or interim financing funds are made available to the borrower.

(3) If the property has permanent and/or part-time employees assigned directly to the project, Worker's Compensation, also known as employer's liability coverage, must be obtained before interim financing funds are made available to the borrower, or prior to loan or grant closing, whichever occurs first.

(4) Upon completion of construction or rehabilitation of the project, or any portion thereof that allows for occupancy, the Owner shall obtain business income loss insurance.

* * * * *

4. Amend §3560.105 by:

- a. Revising paragraphs (b)(1) and (4), (c)(4), and (f)(1)(i) and (iii);
- b. Adding paragraph (f)(1)(v);
- c. Revising paragraphs (f)(2)(i), (f)(3) introductory text, and (f)(3)(ii);
- d. Removing paragraph (f)(3)(iii);
- e. Revising paragraphs (f)(4), (f)(7) introductory text, and (f)(9)(i), (iii), and (iv);
- f. Adding paragraph (f)(11);
- g. Revising paragraph (h)(2)(ii);
- h. Redesignating paragraph (i) as paragraph (j); and
- i. Adding a new paragraph (j).

The revisions and additions read as follows:

§ 3560.105 Insurance and taxes.

* * * * *

(b) * * *

(1) On or prior to the date of loan or grant closing, applicants must provide documentary evidence that insurance requirements have been met. The borrower must maintain insurance in accordance with requirements of their loan or grant documents and this section until the loan is repaid or the terms of the grant expire. If interim financing is obtained or the Agency provides for multiple advances for construction or rehabilitation, evidence of builder's risk insurance is required prior to the start of construction or rehabilitation.

* * * * *

(4) The Agency must be named as loss co-payee or mortgagee as it appears on all property insurance policies.

* * * * *

(c) * * *

(4) If the best insurance policy a borrower can obtain at the time the borrower receives the loan or grant contains a loss deductible clause greater than that allowed by paragraph (f)(9) of this section, the insurance policy and an explanation of the reasons why more adequate insurance is not available must be submitted to the Agency for approval prior to the date of loan or grant closing.

* * * * *

(f) * * *

(1) * * *

(i) *Hazard insurance*. A policy which generally covers loss or damage by fire, smoke, lightning, windstorms, hail, explosion, riot, civil commotion, aircraft, and vehicles. These policies may also be known as “Property Insurance,” “Fire and Extended Coverage,” “Homeowners,” “All Physical Loss,” or “Broad Form” policies.

* * * * *

(iii) *Builder's risk insurance*. A policy that insures 100 percent of the estimated cost value of the project under construction or rehabilitation, or applicable State required coverage limits, if more stringent.

* * * * *

(v) *Business income loss*. Business income or rent loss coverage provides coverage for the loss of rental income incurred due to a property loss during a 12-month period.

(2) ***

(i) Windstorm Coverage if specifically excluded from the All-Risk policy.

* * * * *

(3) For property insurance, the minimum coverage amount must equal the “Total Estimated Reproduction Cost of New Improvements,” as reflected in the housing

project's most recent appraisal. At a minimum, property insurance coverage must not be less than 80 percent of the insurable replacement cost value, unless such coverage is financially unfeasible for the housing project.

* * **

(ii) When required by paragraph (f)(1) of this section, the coverage amount for flood insurance must not be less than 80 percent of the insurable replacement value, or the maximum amount of insurance available with respect to the project under the National Flood Insurance Act, whichever is less. The policy shall show the Owner as insured and shall show loss, if any, payable to the United States of America acting through the RHS Service or its successor agency.

(4) Except for flood insurance, property insurance is not required if the housing project is in a condition which the Agency determines makes insurance coverage not economical.

* * * * *

(7) When the Agency is in the first lien position and an insurance settlement represents a satisfactory adjustment of a loss, the insurance settlement will be deposited in the housing project's general operating account unless the settlement exceeds \$5,000. If the settlement exceeds \$5,000, the funds will be placed in the reserve account or other supervised account for the housing project.

* * * * *

(9) * * *

(i) *Hazard/property insurance.* * * *

(A) For a project with less than or equal to \$1,000,000 of coverage, no deductible greater than \$10,000 per occurrence.

(B) For a project with more than \$1,000,000 but less than or equal to \$2,000,000 of coverage, no deductible greater than \$25,000 per occurrence.

(C) For a project with more than \$2,000,000 of coverage, no deductible greater than \$50,000 per occurrence.

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(iii) *Windstorm coverage*. When windstorm coverage is excluded from the “All Risk” policy, the deductible is as identified in (f)(9)(i) of this section.

(iv) *Earthquake coverage*. If the borrower obtains earthquake coverage, the Agency is to be named as a loss payee. The deductible should be no more than 20 percent of the coverage amount.

* * * * *

(11) Each policy shall meet the following requirements:

(i) Policy may not be cancelled or modified without at least thirty (30) days prior written notice to the Agency (the clause shall not state that the insurer will “endeavor” to send such notice or that no liability attaches to the insurer for failure to send such notice.)

(ii) Policy shall provide that any loss otherwise payable thereunder shall be payable notwithstanding any act or negligence of Borrower which might, absent such agreement, result in a forfeiture of all or part of such insurance payment.

(iii) Such insurance policies shall name the Owner as the Insured and shall carry a standard form of Non-Contribution Mortgage Clause showing loss or damage, if any, payable to the Owner and the “United States of America acting through the Rural Housing Service or its successor agency,” as its interest may appear.

* * * * *

(h) * * *

(2) * * *

(ii) Fidelity coverage amount and deductible as follows:

(A) Coverage amount. An amount at least equal to 25 percent of the operational cash sources per the project’s proposed annual budget or \$50,000 whichever

is greater, unless greater amounts are required by the Owner. Where the operational cash sources for a project are substantially below the minimum \$50,000 bonding requirement for operation, with Agency approval, the bond may be reduced to an amount sufficient to cover at least 25 percent of the operational cash sources.

(B) Deductible. No greater than \$15,000 per occurrence.

* * * * *

(i) *Workers' compensation insurance.* This insurance coverage, which may also be known as employer's liability coverage, provides benefits to employees who suffer work-related injuries or illnesses. Workers' compensation insurance is required for permanent and part-time staff assigned directly to the project.

(j) *Taxes.* The borrower is responsible for paying all taxes and assessments on a housing project before they become delinquent.

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Yvonne Hsu,
Acting Administrator,
Rural Housing Service.